

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

TOTAL FUND STATEMENT OF INVESTMENT POLICY

June 18, 2007

This policy is effective immediately upon adoption and supersedes all previous Total Fund Statement of Investment and Policy Administration policies.

I. PURPOSE

The purpose of this Policy, and each of CalPERS' other investment policies (collectively the "Policies"), is to provide a framework for the management of CalPERS' assets. The Policies outline objectives, benchmarks, restrictions and responsibilities so that the Investment Committee, Policy Subcommittee, Staff, consultants, managers, members and beneficiaries, and all CalPERS' stakeholders clearly understand the objectives and policies of CalPERS' investment program. The Policies also encourage effective communication, facilitate transparency and compliance, and provide a framework for reporting back to the Investment Committee, as appropriate.

The Policies set forth the guidelines which the Investment Committee deems to be appropriate and prudent in consideration of the needs of and the legal requirements applicable to CalPERS' investment program. The Policies provide criteria against which investment results will be measured and serve as a review document to guide ongoing operations and oversight. The Policies also are intended to ensure that the Investment Committee is fulfilling its fiduciary responsibilities in the management of CalPERS investments.

The Investment Committee intends for the Policies to be a dynamic document and will review them from time to time. Policies will be modified periodically to reflect the changing nature of CalPERS' assets and investment programs, benefit and structural changes, and economic conditions.

In addition, the Investment Committee has delegated to the Staff certain authority that pertains to the ongoing management and administration of CalPERS' assets and various investment programs. These delegations are contained in a master delegation document that the Investment Committee has approved.

II. STRATEGIC OBJECTIVE

CalPERS' general investment goals are broad in nature. The overall objective of CalPERS' investment program is to provide members and beneficiaries with benefits as required by law. This will be accomplished through a carefully

planned and executed long-term investment program that efficiently and effectively allocates and manages the assets of CalPERS.

The Policies have been designed to allow CalPERS to achieve a long-term total return. As such, prudent risk-taking is appropriate within the context of overall diversification to meet CalPERS' long-term investment objectives. The assets of CalPERS will be broadly diversified to minimize the effect of short-term losses within any investment program. Consistent with California Constitution, Article XVI, section 17, all of CalPERS' investment activities, and all investment transactions, shall be designed and executed solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

III. RESPONSIBILITIES

A. The Investment Committee's responsibilities include, but are not limited to:

1. Developing and adopting policies to achieve CalPERS' strategic objectives.
2. Reviewing policy recommendations made by the Policy Subcommittee and Staff.
3. Periodically reviewing and amending the Policies, as appropriate.

B. The Policy Subcommittee's responsibilities include, but are not limited to:

1. Recommending policies for Investment Committee consideration.
2. Reviewing policy recommendations made by Staff.
3. Periodically reviewing the Policies and recommending revisions, as appropriate.

C. The Investment Staff's duties include, but are not limited to:

1. Periodically reviewing the Policies and making recommendations to the Policy Subcommittee and Investment Committee regarding new Policy development, Policy revisions or amendments, Policy elimination, and any other aspect that the Staff considers pertinent regarding Policy development.
2. Engaging with other asset class Staff, consultants, and other pertinent parties, to seek advice and counsel regarding investment strategy and investment results.

3. Developing and maintaining an up-to-date procedures manual.
 4. Implementing and adhering to all policies.
- D. The Board's independent investment consultants' responsibilities include, but are not limited to:
1. Providing independent review, analysis, and recommendations regarding the development and revision of policies to ensure overall consistency, use of best practices, a systemwide approach, and implementation of CalPERS policies.
 2. Reporting to the Investment Committee and Policy Subcommittee as appropriate.

IV. PERFORMANCE OBJECTIVE AND BENCHMARK

Specifically:

- A. The assets of CalPERS will be invested to meet or exceed the actuarial rate over the long-term;
- B. CalPERS will seek to maximize the returns for the level of risk taken;
- C. CalPERS will seek to achieve a return that exceeds the [Policy Index](#); and
- D. CalPERS will invest its assets efficiently, bearing in mind the impact of management and transaction costs on the return of the assets.

V. INVESTMENT APPROACHES AND PARAMETERS

Not applicable.

VI. CALCULATIONS AND COMPUTATIONS

Not applicable.

VII. GLOSSARY OF TERMS

Key words used in the policies are defined in CalPERS' Master Glossary of Terms.

Approved by the Investment Committee: June 18, 2007